

Nebraska Sales and Use Tax Guide for Printing Services

May, 2001

For more information, check our
Web site: www.nol.org/revenue



This information guide provides an overview of the application of Nebraska's sales and use tax laws to the printing industry. It is not designed to answer all questions that arise, but is intended to enable a person to become familiar with the sales and use tax rules and regulations affecting this industry.

OVERVIEW

Businesses and individuals that provide printing or mailing services are retailers. As retailers they must comply with the same general set of rules and regulations as most other retailers engaged in business in Nebraska.

Every retailer is required to hold a Nebraska Sales Tax Permit. The permit is obtained by filing a Nebraska Tax Application, Form 20.

Retailers are required to collect the appropriate sales tax on each transaction, or obtain proper documentation to support why the tax was not collected.

The proper documentation required for items or services delivered in Nebraska is a Nebraska Resale or Exempt Sale Certificate, Form 13, completed by the customer and given to the retailer. Retailers keep this form with their books and records.

The proper documentation required for items or services delivered outside Nebraska includes an invoice, bill of lading, or other item indicating delivery to the customer outside this state.

The sales tax is collected from customers on the gross receipts from taxable sales and is remitted on the Nebraska and Local Sales and Use Tax Return, Form 10.

The sales tax is calculated at the rate in effect at the point of delivery in Nebraska. Therefore, retailers are also required to collect the appropriate local sales tax in those locations that have a local option sales tax.

Terms Used in This Guide

Printer. When the word "printer" is used in this guide it applies to all individuals and businesses, including mail service providers, that print materials whether or not printing is the main function of the business.

Printing. Printing includes all of the following:

Printing, digital printing, lithography, photolithography, typography, color separation, rotogravure, gravure, silk screen printing, imprinting, laser printing, multilithing, mimeographing, photocopying, die cutting, binding, folding, collating and similar operations.

Printing aids. Printing aids are those plates or other materials unique to each printing order that physically transfer the image to the paper or other material being printed.

Consumable items. Those items used to create the printed item that do not become a part of the printed item, and are therefore not sold to the customer. Some examples include:

Film, negatives, proofing materials, blanket wash, and software.

SALES BY PRINTERS

Taxable Sales

Charges for printing. Charges for all steps in the printing process are taxable even when the customer provides the materials.

The point of delivery determines the location of the sale. The location of the sale determines the rate of tax that will be calculated on sales price.

Delivery in Nebraska. When delivery of printed materials occurs in Nebraska, the printer must collect the Nebraska and local sales tax on the total sales price, regardless of how the individual charges are stated on the customer's invoice.

Delivery occurs in Nebraska when the seller (printer):

- ✓ Transfers possession or control of the printed material to the buyer;
- ✓ Places the item in the mail addressed to a location in this state; or
- ✓ Gives the item to a common or contract carrier directed to a location in this state.

Delivery in and out of Nebraska. When delivery of printed materials occurs **BOTH** in and out of Nebraska the printer must collect the Nebraska and local sales tax on the pieces delivered into Nebraska. Nebraska and local sales tax is not due on those pieces delivered outside Nebraska.

The following examples provide illustrations of proper application of sales tax to printing and delivery/mailing charges:

- Brochures printed in Nebraska and delivered to customer's location in Nebraska.

Tax application: Since delivery occurs at a location in Nebraska, the printer must collect Nebraska and applicable local sales tax from the customer at the rate in effect at the customer's location.

- Brochures printed in Nebraska and delivered to customer's location outside Nebraska.

Tax application: Nebraska and local sales tax is not required to be collected since delivery occurred outside Nebraska.

- Brochures printed in Nebraska and delivered to locations, designated by the customer, both in and out of Nebraska.

Tax application: Nebraska and local sales tax must be collected on those pieces delivered within Nebraska. Nebraska and local sales tax is not required to be collected on those pieces delivered outside this state.

Delivery Charges

Delivery and mailing charges are taxable when **BOTH** the following criteria are met:

- ✓ The customer pays the printer for delivery or mailing of the printed materials; and
- ✓ The charge for printing the materials is taxable.

Maintenance and Updating of Mailing Lists

Maintenance and updating of mailing list data is taxable when performed in conjunction with a print job order **REGARDLESS** of how such charges are invoiced to the customer.

Mailing lists provided in the form of mailing labels are taxable.

Other Taxable Charges

Charges imposed by printers or mail service providers for the following activities are taxable.

Setup charges. Charges for setup, typesetting and similar operations, die cutting, and embossing are taxable.

Mail preparation. Charges for folding, collating, binding operations, including stapling, addressing, and affixing mailing labels, are taxable.

Supplements and inserts. Charges for advertising supplements, newspaper inserts, or other similar type preprint items are taxable **EXCEPT** when such items are sold for distribution with newspapers.

Duplication. Charges for duplication by using a computer, word processor, or memory typewriter are taxable. This includes separately stated charges for the original typing of the letter that will be duplicated, and any customized information that will be automatically inserted into the letter.

Posters and show cards. Charges for show cards and posters are taxable. Charges for painting these items are taxable even if the customer provides the materials.

Signs. Charges for painting signs that are not affixed to real property are taxable even if the customer provides the materials.

Charges for painting or lettering signs affixed to real property are considered construction contracts and are taxed in accordance with the option chosen by the person painting or lettering the signs. Refer to Regulation 1-017.

Tax-Free Sales

Exempt customers. Nebraska sales tax is not required to be collected when the customer is exempt **AND** the customer has provided a properly completed Form 13, Section B.

Most nonprofit organizations are **NOT** exempt from sales tax in Nebraska. In addition, not all governmental units are exempt from Nebraska sales tax.

For specific details regarding who is exempt from sales tax, please refer to the following:

■ Nebraska Sales and Use Tax Regulations

1-012, Exemptions

1-090, Nonprofit Organizations

1-091, Religious Organizations

1-092, Educational Institutions

1-093, Governmental Units

■ Information Guides

Nonprofit Organizations

Governmental Units

Delivery outside Nebraska. When delivery occurs outside Nebraska, no Nebraska or local option sales tax is due.

Delivery occurs outside Nebraska when the seller (printer) is required by the terms of the sale to deliver the item to a point outside the state.

Please be aware that the printer may have a responsibility to collect the sales tax in the other state, or that the customer may have a consumer's use tax liability in the other state. Contact the department of revenue in the state where delivery occurs to determine that state's reporting requirements.

Delivery charges. Delivery and mailing charges for items delivered outside Nebraska are not subject to Nebraska or local sales tax.

Documenting Tax-Free Sales

A Form 13 must be obtained by the printer from the customer to support tax-free sales when delivery occurs in Nebraska.

When delivery of printed materials occurs outside Nebraska, the invoice, bill of lading, or other item indicating delivery outside Nebraska is sufficient documentation to support why Nebraska sales tax was not collected.

PURCHASES BY PRINTERS

Taxable Purchases

Printers are the consumers of all items they use that do not become a part of the printed material. All purchases of machinery, equipment, tools, supplies, and other consumable items are taxable. They must pay Nebraska and applicable local sales tax at the time of purchase. If the item is purchased from an out-of-state seller who did not collect the Nebraska

and applicable local sales tax, then the printer must remit consumer's use tax on the cost of the item.

Printing aids. The purchase of printing aids is taxable when the purchasing printer either does not resell the printing aids or sells the printing aids to his or her customer **AFTER** they are used by the printer. Charges for preparation of printing aids are also taxable.

Artwork and materials. Purchases of materials and artwork used to make printing aids are taxable. Some examples of materials and artwork include:

Photographs, drawings, paintings, hand lettering, other artwork, photographic reproductions, pasteups, mechanicals, or camera-ready copy.

Mats. If mats for comic strip drawings, syndicated columns, syndicated photos, or publicity photos are furnished to the publisher, then the columnist, syndicate, or the person who purchases the mat must pay the tax to the person who makes the mat.

Tax-Free Purchases

Printers may purchase tax-free items that become an integral part of the material printed. Some examples include:

Ink, paper, toner, and bindery materials, such as glue and staples.

Printers must give a properly completed Form 13, Section A, when purchasing these types of items from sellers in Nebraska.

Printing aids. Printers may purchase printing aids tax free when the printer sells the printing aids to the customer **BEFORE** they are used by the printer. Unless there is a written agreement to the contrary, the printing aids are considered sold before use when the printing aids are separately stated on the customer's invoice.

In addition, printers may sell printing aids tax free for resale purposes to other printers who will then sell the printing aids to their customers **BEFORE** using the printing aids to print the customer's order.

THIRD PARTY CHARGES

Item does NOT become part of printed materials. When a printer hires a third party to produce or create an item that does not become a part of or modify the printed materials the printer is printing for the customer, the charge for this is taxable to the printer. This charge may not be deducted from the total sales price to the customer when calculating the amount of sales tax due from the customer. Some examples of taxable third party charges include:

Purchase of a photograph or an original drawing.

The following example provides an illustration:

Example: A customer orders 20,000 brochures from a Nebraska printer and will pick up the order at the printer's location.

The printer purchases a photo from a Nebraska photographer which is used by the printer to create the negative used to burn the plate to print the items ordered by the customer.

Tax application: The printer must pay Nebraska and applicable local sales tax to the photographer.

The printer must collect Nebraska and applicable local sales tax from the customer on the total amount charged for the brochures, including the amount charged for the photograph.

Item becomes a part of, or service is performed on, the printed materials. When a printer hires a third party to perform a production labor function that alters the printed materials, the printer may purchase this service tax free for resale provided the printer gives a properly

completed Form 13, Section A to the third party vendor. Some examples of production labor charges include:

Printing, binding, die cutting, folding, collating, and all other items listed under "Printing" in the Terms Used in This Guide Section.

The following example provides an illustration:

Example: A printer prints 20,000 brochures for the customer who picks them up at the printer's location. The printer has the brochures die-cut by a third party.

Tax application: The printer must collect Nebraska and applicable local sales tax from the customer at the rate in effect at the printer's location on the total sales price to the customer, including the charge for the die cutting done by a third party.

The printer may purchase the production labor associated with the die-cutting tax free, for resale purposes, **PROVIDED** the printer gives a properly completed Form 13 to the third party.

FOR NEBRASKA TAX ASSISTANCE

For All Tax Programs Except Motor Fuels

Contact your regional office or call toll free *1-800-742-7474 (Lincoln residents call 471-5729).

Nebraska Department of Revenue Web site address: www.nol.org/revenue

SCOTTSBLUFF

Panhandle State Office Complex
4500 Avenue I, Box 1500
Scottsbluff, Nebraska 69363-1500
Telephone (308) 632-1200

GRAND ISLAND

First Federal Bank Building, Suite 460
1811 West Second Street
Grand Island, Nebraska 68803-5469
Telephone (308) 385-6067

NORTH PLATTE

Craft State Office Building
200 South Silber Street
North Platte, Nebraska 69101-4200
Telephone (308) 535-8250

NORFOLK

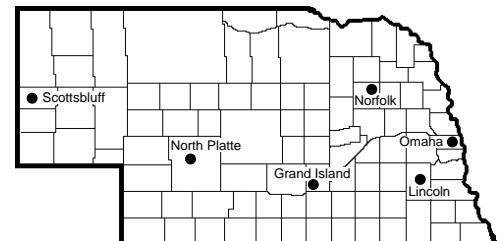
304 North 5th Street, Suite "D"
Norfolk, Nebraska 68701-4091
Telephone (402) 370-3333

OMAHA

Nebraska State Office Building
1313 Farnam-on-the-Mall
Omaha, Nebraska 68102-1871
Telephone (402) 595-2065

LINCOLN

Nebraska State Office Building
301 Centennial Mall South
Lincoln, Nebraska 68509-4818
Telephone (402) 471-5729



For Motor Fuels tax programs only call toll free 1-800-554-3835 (Lincoln residents call 471-5730).

Hearing-impaired individuals may call the Text Telephone (TT) at 1-800-382-9309. TDD (Telecommunications Device for the Deaf) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.

* Toll free from within the continental United States.